

United States v. William T. Walters, a/k/a “Billy”
Prepared Remarks for U.S. Attorney Preet Bharara
May 19, 2016

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today, we announce insider trading charges against Billy Walters, a well-known figure in the Las Vegas gambling world.

We also announce charges against Tom Davis, the former Chairman of the Board of Dean Foods, a Fortune 500 company that is the country’s largest processor and distributor of fresh milk.

The defendants are charged with participating in an insider trading scheme fairly remarkable in duration and scope. As alleged, for over five years, Davis repeatedly and systematically fed material nonpublic information about Dean Foods to Walters, who in turn benefited handsomely – to the tune of about \$43 million in profits made and losses avoided – from his trading in Dean Foods stock.

With a direct channel into Dean Foods’ boardroom, Walters placed enormous bets on the company’s stock. But, as described in the Indictment, these bets were no gamble at all. They were a sure thing, because armed with inside information from Davis, Walters traded in advance of good news and bad news alike. It was all good news for Walters, because he had the information before everyone else – he had tomorrow’s headlines today.

As we allege, on at least ten occasions, Walters traded on MNPI, and at one point this single investor accounted for 37% of all the trading volume in Dean Foods stock. 37%.

As also alleged, Walters and Davis made efforts to cover up their conduct. Walters supplied Davis with an anonymous, prepaid cellphone specifically for the purpose of communicating inside information about Dean Foods. Walters and Davis also used coded language to hide from law enforcement, including referring to Dean Foods in their illegal conversations as the “Dallas Cowboys.”

We also allege that Davis provided MNPI about a public company named Darden Restaurants, allowing Walters to make \$1 million in illegal profits.

For his participation in this criminal scheme, Davis has already pled guilty, and he is cooperating with the Government. Walters was arrested yesterday in Las Vegas.

Let me provide you with some of the specifics about the charges and about Walters' trading activity.

The alleged criminal scheme began in 2008 and continued through 2014. During this time, Davis provided Walters with the full spectrum of nonpublic information that is vitally important to investors: information about earnings, financial performance, internal forecasts, and proposed mergers and acquisitions.

Let me highlight just one series of trades:

Between 2010 to 2012, Davis allegedly gave Walters secret updates about Dean Foods' plans to spinoff WhiteWave, a successful organic dairy products business that ultimately separated from Dean Foods in 2012.

On April 9, 2010, at a meeting in Las Vegas, Davis tipped Walters about how Dean Foods had engaged an investment bank to explore a spinoff of WhiteWave. That tip was provided on the very same day that Walters arranged a \$625,000 loan for Davis. And the very next business day, April 12, Walters purchased a million shares of Dean Foods, followed by another 510,000 shares on April 14 and 15.

Walters' dumping of his shares was so sizeable and anomalous, that his trading on May 3 and 4 made up 29% and 16% respectively of Dean Foods' entire trading volume on those days.

Now fast forward to August 7, 2012, when Dean Foods was ready to announce its plan to spinoff WhiteWave publicly for the first time, Walters was well-positioned. Thanks to Davis – in effect his secret bug in the boardroom – Walters had loaded up on Dean Foods stock.

In the month leading up to the announcement, Walters bought 2.8 million more shares, increasing his total holdings to 4 million shares of Dean Foods.

And on August 8, after Dean Foods' stock price rose 40% on announcement of the planned spinoff, Walters' positions grew over \$17.1 million in value.

By October 2012, when the WhiteWave IPO was finally priced, Walters owned about 5.3 million shares of Dean Foods, valued at over a \$100 million, shares he ultimately sold in August 2013 for gross proceeds of about \$110 million.

A case of this type and significance requires close collaboration and coordination with our law enforcement partners. And their representatives are standing up here with me.

I am joined today by our partner in this and so many other important cases, the FBI, led by my friend, Diego Rodriguez, the Assistant Director-in-Charge of the New York Field Office. I want to thank Diego and his team for their great work and assistance in this investigation.

I am also joined by Andrew Ceresney, the Director of the SEC's Enforcement Division. I want to thank him and the SEC — particularly their San Francisco office — for their hard work and collaboration.

We are also joined by the Postal Inspection Service represented here today by Thomas Boyle, Assistant Inspector in Charge of the New York of US Division Postal Inspection Service.

Last, I want to acknowledge and thank the prosecutors handling the case, Brooke Cucinella and Daniel Goldman, and their supervisors, Katherine Goldstein and Tim Kasulis, the Chief and Deputy Chief of the Office's Securities and Commodities Fraud Task Force.

Brazen insider trading continues to be a blot on our securities markets. And so, the integrity of our markets continues to be a priority for this office. When the Board/Member of a Fortune 500 company feeds inside information to a professional gambler who makes a killing on well-timed trades in that very company's stock, that is a form of corruption. Corruption of our markets. And we don't let corruption stand.